

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 EA-06 ISO-00 SP-02 AID-05 NSC-05

RSC-01 CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01

COME-00 INT-05 GSA-01 XMB-02 L-02 H-01 CIAE-00

DODE-00 INR-05 NSAE-00 PA-01 USIA-06 PRS-01 /088 W

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R 061300Z DEC 74

FM AMCONSUL PARAMARIBO

TO SECSTATE WASHDC 1858

INFO AMEMBASSY THE HAGUE

AMEMBASSY GEORGETOWN

AMEMBASSY SANTO DOMINGO

AMEMBASSY CANBERRA

AMEMBASSY KINGSTON

AMEMBASSY PORT OF SPAIN

AMEMBASSY PORT AU PRINCE

AMCONSUL CURACAO

AMCONSUL MARTINIQUE

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E.O. 11652: N/A

TAGS: EMIN, EIND, EFIN, NS

SUBJECT: BILLITON SAID TO AGREE TO HIGHER BAUXITE PAYMENTS

REF: PARAMARIBO 556

1. AFTER FIVE DAYS OF NEGOTIATIONS BETWEEN GOS AND SHELL-OWNED BILLITON BAUXITE COMPANY, MINISTER-PRESIDENT ARRON ANNOUNCED NOVEMBER 29 THAT BILLITON HAD AGREED TO MAKE HIGHER PAYMENTS TO GOS ON SUBSTANTIALLY SAME TERMS AS SURALCO (REFTEL). HOWEVER, SHELL REPRESENTATIVE F.J. JACOBS HAS INDICATED PRIVATELY THAT IMPORTANT ELEMENTS OF NEW FINANCIAL ARRANGEMENTS REMAIN UNSETTLED. IT WILL BE SEVERAL DAYS, AT LEAST, BEFORE AGREEMENT HAS BEEN REACHED.

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WM ARRON'S ANNOUNCEMENT GAVE FEW DETAILS OF AGREEMENT, BEYOND A PREDICTION THAT GOS WILL BE GAINING MINIMUM ADDITIONAL SF 40 MILLION (SF1.00 EQUALS US DOLS 0.56) THIS YEAR FROM BILLITON. NEVERTHELESS, LOCAL PRESS IS REPORTING THAT BILLITON HAS AGREED TO PAY GOS SIX PER CENT OF US SELLING PRICE OF POUND OF ALUMINUM (FIGURED AT NOT LESS THAN DOLS 0.35 PER POUND) FOR EACH TON OF BAUXITE PRODUCED BY COMPANY. THIS IS PURE SPECULATION AND PROBABLY UNREALISTIC. IN SURALCO'S CASE, FOR EXAMPLE, ALUMINUM/BAUXITE RATIO IS ABOUT ONE TO 4.3. ANYTHING LIKE ONE TO ONE WOULD PLACE INTOLERABLE FINANCIAL BURDEN ON BILLITON. SURALCO SOURCES BELIEVE THAT RATIO OF ONE TO 3.8 OR THEREABOUTS IS MORE LIKELY TO EMERGE FROM GOS NEGOTIATIONS WITH BILLITON. THEY SAY SAME RATIO CANNOT BE APPLIED TO SURALCO AND BILLITON BECAUSE BILLITON'S ORES ARE GENERALLY RICHER.

3. WHATEVER THE EXACT FORMULA, NEW FINANCIAL ARRANGEMENTS BEING WORKED OUT BY GOS AND BILLITON ARE EXPECTED TO FOLLOW MAIN LINES OF THE GOS/SURALCO AGREEMENT. SOME SUCH RESULT WAS PROBABLY INEVITABLE AFTER LARGER OF THE TWO BAUXITE PRODUCING COMPANIES IN SURINAM, SURALCO, SETTLED WITH GOS. THAT MAY, IN PART, EXPLAIN ARRON'S PREMATURE ANNOUNCEMENT. THAT AND HIS DESIRE TO DAMPEN GROWING LOCAL CONCERN AND CRITICISM, ESPECIALLY IN PRESS, AT RELATIVELY SLOW PACE OF TALKS WITH BILLITON WHEN COMPARED WITH THE QUICK (THREE DAYS) AND STRIKING SUCCESS GAINED DURING THE SURALCO ROUND.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM, BAUXITE, SALES, NEGOTIATIONS, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: Izenbel0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974PARAMA00569
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740358-0877
From: PARAMARIBO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741254/aaaabukb.tel
Line Count: 88
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: PARAMARIBO 556
Review Action: RELEASED, APPROVED
Review Authority: Izenbel0
Review Comment: n/a
Review Content Flags:
Review Date: 28 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 MAY 2002 by ifshinsr>; APPROVED <20 MAR 2003 by Izenbel0>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: BILLITON SAID TO AGREE TO HIGHER BAUXITE PAYMENTS
TAGS: EMIN, EIND, EFIN, NS, ALCOA-SURALCO, BILLITON
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005